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40-8745/GCP/85/06/17/0

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JUN 19 1985

Docket File 8745
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URFO:GCP
Docket No. 40-8745

MEMORANDUM FOR: Docket File No. 40-8745

FROM: George C. Pangburn, Project Manager
Licensing Branch 1
Uranium Recovery Field Office, Region IV

SUBJECT: SUMMARY OF MEETING BETWEEN NRC, WDEQ AND
OGLE PETROLEUM

Background

On June 13, 1985, a meeting was held between representatives of NRC's Uranium Recovery Field Office; Wyoming Department of Environmental Quality, Land Quality Division; Ogle Resources, Inc.; and Ogle Petroleum Inc. of California (a complete list of attendees is attached as Attachment A to this memorandum). The meeting was held at WDEQ offices in Cheyenne, Wyoming, and was requested by Ogle representatives to discuss matters raised in a June 7, 1985 letter from WDEQ to Ogle Petroleum Inc. of California (Attachment B).

Summary of Meeting

Before addressing the June 7 letter, the Ogle representatives presented a lengthy discussion of organizational and financial developments over the past several years. The following is a synopsis of these events as best as it is understood by the undersigned.

In 1978, a joint venture was formed between Ogle Petroleum, Inc. (OPI) a Colorado corporation, and Western Fuel, Inc., (WFI) a wholly-owned subsidiary of Duke Power Company, to develop and bring into production uranium claims in the northern Red Desert of Wyoming, approximately 50 air miles south of the town of Riverton. Under the joint venture

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agreement, each party was to pay 50 percent of the costs of development and each party was to receive 50 percent of the profits.

A commercial license application was submitted by OPI (a Colorado corporation) to both NRC and WDEQ in 1979, and a permit was granted by WDEQ in August 1980. NRC's license approval came in May 1981. In both cases, the approval was given to Ogle Petroleum, Inc. Western Fuel, Inc. was not a party to the licensing process other than in a financial sense.

During the time that the agencies were reviewing the respective applications, several changes took place at Ogle (see chart in Attachment C). In July 1980, the Wyoming uranium interests held by Ogle Petroleum, Inc. (a Colorado corporation), were transferred to Ogle Resources, Inc. (ORI) which was a holding company. Subsequently, in December 1980, OPI (a Colorado corporation) was dissolved. ORI, the holding company, then established several operating companies. One of the operating companies was Ogle Petroleum, Inc. (OPI) a Delaware corporation. OPI has the same officers and directors as ORI and is a wholly-owned subsidiary of ORI. When OPI was established in August 1980, the ORI Wyoming uranium interests were transferred to it.

In March 1981, ORI spun off an independent corporation named Ogle Petroleum, Inc. of California (OPIC). This corporation has many of the same stockholders as ORI, but is a separate and essentially unrelated entity from ORI and OPI. Its board of directors and officers are different from ORI and OPI and, according to Don Kircher, General Counsel and Vice President of ORI, there are no legal ties between either ORI or OPI and OPIC. At the time of the spinoff, all rights, duties, privileges and obligations pertaining to Wyoming uranium interests passed to OPIC.

OPIC, however, is not the licensee on NRC's Source Material License No. SUA-1396 for the Bison Basin project, nor is it the permittee on WDEQ's permit for this project. Both agency approvals were made to Ogle Petroleum, Inc., the Colorado corporation. No written notice of transfer was filed with either NRC or WDEQ for any of the three transfers described above.

Nevertheless, the Bison Basin project went into commercial operation in August 1981, and continued operation until adverse conditions in the domestic uranium market forced it to shut down in September 1982. With this event, OPIC had no further sources of income as it was only established for the purposes of uranium development. ORI/OPI stated that it has provided maintenance levels of funding (\$650,000) to OPIC since

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shutdown in the hope that market conditions would improve or that OPIC would be able to sell the facility (which it has tried to do unsuccessfully), and this money would be paid back. However, Mr. Kircher stressed that these funds were not provided because of any legal responsibility to do so. Over the last 3 years, ORI/OPI has suffered losses of approximately 33 million dollars in its domestic oil and gas business.

The Current Matter

Approximately one (1) year ago, WDEQ sent a letter to Ogle regarding the EPA Underground Injection Control (UIC) program which the State had primacy to implement. This letter required the addition of certain standard requirements to the permit for the Bison Basin project. However, a question arose as to who the proper entity was in terms of signing to implement these conditions. The original OPI no longer existed, and neither ORI nor the current OPI felt any legal responsibility for the project. Moreover, OPIC was not the recognized legal entity charged with responsibility for the project, according to WDEQ and NRC.

OPIC felt that an appropriate course of action would be to bring Western Fuel, Inc. (WFI) into the licensing process and have WFI sign the UIC conditions. Although OPIC states that WFI initially was interested, they apparently changed their mind over a period of months and in April, 1985 wrote a letter to OPIC to the effect that they did not wish to continue with the idea of having the license in both parties names. WFI does not recognize OPIC and took the position that OPI is the responsible party. ORI/OPI claims that WFI was notified of all organization changes as per their joint venture agreement. However, WFI claims that these changes were part of a strategy on behalf of Ogle to avoid permit/license responsibilities.

With WFI refusing to enter the picture, the only viable source of additional maintenance funding for the Bison Basin project has disappeared according to OPIC. ORI/OPI has had a cap on any more funding imposed by their bank, First Interstate of California, and in a matter of weeks, that funding will have been used up. Consequently, OPIC will not be able to maintain the site, let alone decommission and reclaim it.

This situation would not be so grave if the surety situation were clear for Bison Basin. However, because of the transfers between companies,

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the existing sureties come into question. There are two performance bonds held by WDEQ for the site. The first, issued by Travelers Indemnity Company in July 1980, was made out in the name of Ogle Petroleum, Inc. (the now defunct Colorado corporation) for \$589,975. The second, issued by Allied Fidelity Insurance Company in July 1982, was made out in the name of Ogle Petroleum, Inc., but signed by B. D. Bailey as "Successor in Interest to OPIC," for \$441,005. In the opinion of WDEQ, any attempt to call in these instruments would likely be challenged by the insurance companies involved, on the basis of organizational changes alluded to above.

Because OPIC did not respond to the UIC requirements after repeated inquiries, WDEQ issued a letter on June 7, 1985, which correctly noted that OPIC was acting "...as operator of Permit 504 without a license to mine..." This letter gave OPIC and WFI until July 15, 1985, to submit a license to mine application or receive a Notice of Violation with a potential penalty of \$10,000 for each day of violation.

This letter prompted OPIC's request for a meeting with WDEQ and NRC to discuss their current adverse financial and operational situation. Although WFI was invited to attend by OPIC on the same timeframe as the other parties, WFI by telegram (Attachment D) declined to do so. Subsequent to this meeting, a meeting is scheduled with WFI, WDEQ and NRC for June 27, 1985 at URFO in Denver, Colorado.

Discussion

Both Mr. Kircher of ORI/OPI and Glen Catchpole, President of OPIC, requested assistance from the respective agencies in dealing with this situation. The NRC representatives indicated that, at a minimum, a Notice of Violation would have to be issued due to failure of OPI to request, in writing, NRC approval for the transfer of the license. (Mr. Catchpole stated earlier that NRC was verbally informed of the changes that had occurred. Moreover, Mr. Kircher stated that, based on the record of interaction between OPIC and the two agencies, there was a defacto recognition of OPIC's existence as the appropriate licensee.)

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Both NRC and WDEQ stated that owing to the complexity of these matters, it would be necessary to inform each agency's counsel before proceeding further. Both agencies also requested that a copy of the OPI-WFI joint venture agreement be provided to them.

/s/

George C. Pangburn, Project Manager
Licensing Branch 1
Uranium Recovery Field Office, Region IV

Approved by: /s/

Edward F. Hawkins, Chief
Licensing Branch 1
Uranium Recovery Field Office, Region IV

Attachments: As stated

OFC : <i>[Signature]</i>	URFO : <i>[Signature]</i>	URFO : <i>[Signature]</i>	URFO : <i>[Signature]</i>	:	:	:	:
NAME : GCPangburn	: <i>[Signature]</i>	: <i>[Signature]</i>	: EFHawkins	:	:	:	:
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ATTACHMENT A

List of Attendees at June 13 Meeting

<u>NAME</u>	<u>COMPANY/AGENCY</u>
Don Kircher	Ogle Resources
Glenn Catchpole	OPIC
Kathy Muller Ogle	WDEQ/LQD
Vicki J. Bryon	WDEQ/LQD
Rick Englemann	WDEQ/LQD
Roger Shaffer	WDEQ/LQD
Sandra L. Wastler	NRC/URFO
Ed Hawkins	NRC/URFO
George Pangburn	NRC/URFO

ATTACHMENT B

June 7, 1985 Letter From WDEQ to OPIC

JUN 10 1985

THE STATE



OF WYOMING

ED HERSCHLER
GOVERNOR

Department of Environmental Quality

LAND QUALITY DIVISION

HERSCHLER BLDG. - THIRD FLOOR
122 WEST 25TH

TELEPHONE 307-777-7756

CHEYENNE, WYOMING 82002

June 7, 1985

CERTIFIED MAIL - RETURN RECEIPT REQUESTED - # 73752

Glenn J. Catchpole
President & Project Manager
Ogle Petroleum Inc. of California
2510 East 15th St., Suite #8
Casper, WY 82609

RE: Mining Permit 504, Bison Basin.

Dear Glenn:

As of this date, we have not received a response to Rick Engelmann's letter to you dated May 6, 1985.

While Ogle Petroleum Inc. of California acts as operator of Permit 504 without a license to mine, the venturers are in violation of W.S. 35-11-410. The Act requires that "any operator desiring to engage in a mining operation shall make a written application to the Administrator...a license is required for each mining operation for which a separate mining permit is issued."

Ogle Petroleum Inc. of California and Western Fuel Inc. have until Monday, July 15, 1985 to submit a license to mine application. Failure to comply with this deadline will result in a Notice of Violation of W.S. 35-11-410. Operators in violation are liable to a penalty of ten thousand dollars (\$10,000.00) for each day of violation.

If there are reasons why this issue can not be resolved by July 15, 1985, notify us immediately so that we can schedule a meeting in Cheyenne between Land Quality, Ogle Petroleum, and Western Fuel Inc.

If you have any questions, please contact me or Rick Engelmann in Lander.

Sincerely,

Roger

Roger Shaffer
Acting Administrator

RS:VJB:clw
cc: Rick Engelmann

W.T. Robertson, Jr., President - Certified Mail No. 73753

Western Fuel Inc. P.O. Box 32307

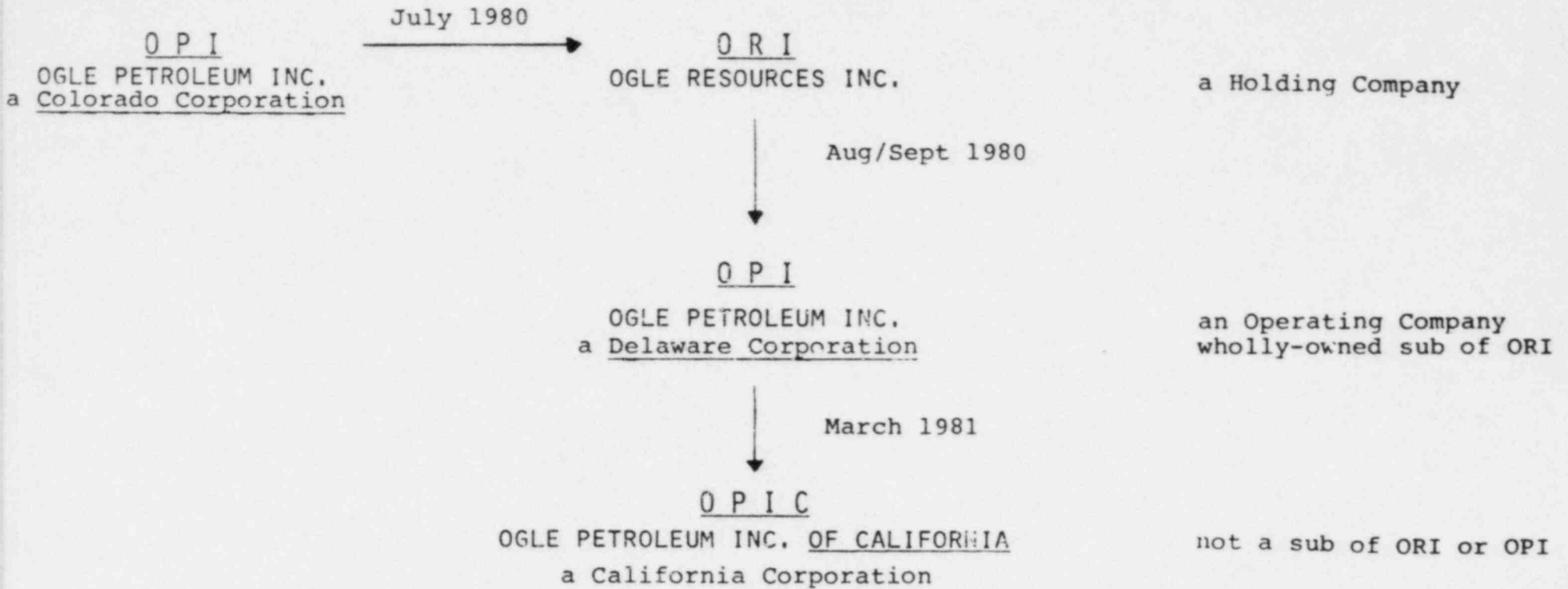
Charlotte, NC 28232

William R. Merrill, Chairman of the Board, OPRC, Certified Mail No. 73754

ATTACHMENT C

Diagram of Transfer of Wyoming Uranium Interests

TRANSFER OF WYOMING URANIUM INTERESTS



ATTACHMENT D

Telegram of June 12, 1985, From WFI to WDEQ

RAILGRAY SERVICE CENTER
MIDDLETOWN, VA. 22645
12AM

Western
Union Mailgram

1-019121A163 06/12/85 ICS IPMRYND RNO CHEA
02251 RENO NV 06-12 0235P PDT RYNC

ROGER SHAFFER, ACTING ADMINISTRATOR
DEPARTMENT OF ENVIRONMENTAL QUALITY
LAND QUALITY DIVISION
HERSCHLER BLDG 3 FLOOR
122 WEST 25
CHEYENNE WY 82002

307 777 7756

THIS IS A CONFIRMATION COPY OF A TELEGRAM SENT TO YOU.

1-016996C163 06/12/85
ICS IPMTUN PTL
03481 06-12 0150P PDT PTUM
ICS IPMRYNS AC 307
1-016127C163 06/12/85
ICS IPMCFRB CHA
01006 183 FR CHARLOTTE NC 06-12 420P EST
PMS MR. ROGER SHAFFER, ACTING ADMINISTRATOR
DEPARTMENT OF ENVIRONMENTAL QUALITY
LAND QUALITY DIVISION
HERSCHLER BUILDING - THIRD FLOOR
122 WEST 25TH
CHEYENNE, WY 82002



RE YOUR LETTER OF JUNE 7, 1985 TO GLENN J. CATCHPOLE,
PRESIDENT AND PROJECT MANAGER, OGLE PETROLEUM INC. OF
CALIFORNIA CONCERNING MINING PERMIT 504. NO MINING OPERATION IS
BEING UNDERTAKEN ON THE PERMITTED LANDS AND NONE IS CONTEMPLATED
IN THE NEAR FUTURE. IT IS THE RESPONSIBILITY OF THE OPERATOR
TO OBTAIN A LICENSE TO THE EXTENT REQUIRED BY W. S. 35-11-410
AND WE UNDERSTOOD OPI TO HAVE SUCH A LICENSE. WE BELIEVE THE OGLE
ENTITIES ARE ATTEMPTING TO AVOID THEIR OBLIGATIONS AS THE
PERMITTEE AND SHIFT THE RESPONSIBILITIES TO WESTERN.
WESTERN HAS NOT AND DOES NOT CONSENT TO THE TRANSFER OF PERMIT
504 FROM OPI TO OPIC. WESTERN WILL HONOR ITS OBLIGATIONS
UNDER THE JOINT VENTURE AGREEMENT, BUT WILL NOT ACCEPT THE
RESPONSIBILITIES OF OGLE AS THE OPERATOR AND PERMITTEE.
OGLE ADVISED US AT 4:55 P.M., JUNE 11 OF ITS SCHEDULED
MEETING WITH YOU AT 11:00 A.M. ON JUNE 13 WHICH DOES NOT
GIVE US ADEQUATE TIME TO HAVE A REPRESENTATIVE PRESENT. REQUEST
SEPARATE MEETING WITH YOU AT EARLIEST MUTUALLY CONVENIENT DATE.
PLEASE CONTACT R. H. HALL, VICE PRESIDENT OF WESTERN,

Western Union
M. I. G. R. A. M.

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(704) 373-4371.

W. T. ROBERTSON, PRESIDENT
WESTERN FUEL INC.

1554 EST

1609 EST

1644 EST

MGMCOMP MGM